

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-25 ISO-00 SPC-03 SAM-01 AID-20 EB-11

NSC-10 RSC-01 CIEP-02 SS-20 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 DRC-01 SSO-00 NSCE-00 USIE-00 PA-04

PRS-01 L-03 INRE-00 TAR-02 /154 W

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 2606

UNCLAS OTTAWA 0274

PASS TREASURY

E.O. 11652: N/A

TAGS: EFIN, CA, US

SUBJECT: ELIMINATION OF GUIDELINES ON CAPITAL EXPORT

REF: OTTAWA 272

FOLLOWING IS TEXT OF DEPARTMENT OF FINANCE PRESS RELEASE
ENTITLED "WITHDRAWAL OF GUIDELINES ON CAPITAL OUTFLOWS"
ISSUED AT NOON TODAY:

BEGIN TEXT

FINANCE MINISTER JOHN N. TURNER TODAY ANNOUNCED THE
WITHDRAWAL OF ALL GUIDELINES RELATING TO THE EXPORT OF
CAPITAL FROM CANADA. THESE GUIDELINES WERE PART OF
COOPERATIVE ARRANGEMENTS BETWEEN CANADA AND THE UNITED
STATES WHEREBY CANADA RECEIVED AN EXEMPTION FOR NEW
ISSUES FROM THE U.S. INTEREST EQUALIZATION TAX AND AN
EXEMPTION FROM OTHER U.S. CONTROLS ON CAPITAL EXPORTS.

THE UNITED STATES HAS NOW REDUCED THE INTEREST

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EQUALIZATION TAX TO ZERO AND WITHDRAWN ITS OTHER

CONTROLS. IN VIEW OF THE TERMINATION OF THE U.S. PROGRAM, THE WITHDRAWAL OF OUR GUIDELINES IS NOW APPROPRIATE, THE MINISTER SAID.

THE CANADIAN GUIDELINES BEING WITHDRAWN ARE THE FOLLOWING:

MARCH 16, 1966 - THE MINISTER OF FINANCE REQUESTED ALL CANADIAN INVESTORS NOT TO ACQUIRE SECURITIES, DENOMINATED IN CANADIAN OR U.S. DOLLARS, ISSUED BY U.S. CORPORATIONS OR THEIR NON-CANADIAN SUBSIDIARIES AND SUBJECT TO THE U.S. INTEREST EQUALIZATION TAX IF PURCHASED BY U.S. RESIDENTS. THE MINISTER ALSO ANNOUNCED THAT THE BANK OF CANADA AND THE DEPARTMENT OF FINANCE WOULD CONTINUE TO DISCOURAGE THE ISSUE OF SECURITIES IN CANADA BY FOREIGN BORROWERS.

MAY 3, 1968 - THE MINISTER ASKED THE CHARTERED BANKS TO OBSERVE THREE GUIDELINES DESIGNED PRIMARILY TO AVOID AN INCREASE IN THEIR NET FOREIGN CURRENCY ASSET POSITION WITH RESIDENTS OF COUNTRIES OTHER THAN CANADA AND THE UNITED STATES FROM THE LEVEL AT THE END OF FEBRUARY 1968.

JULY 24, 1968 - THE MINISTER ASKED THAT A GUIDELINE SIMILAR IN EFFECT TO THAT APPLIED TO THE BANKS BE ACCEPTED BY ALL OTHER FINANCIAL INSTITUTIONS.

THE MINISTER OF INDUSTRY, TRADE AND COMMERCE IS ALSO ANNOUNCING TODAY THE WITHDRAWAL OF THE SEPTEMBER 1968 GUIDELINE TO CANADIAN NON-FINANCIAL CORPORATIONS DESIGNED TO ENSURE THAT THEIR INVESTMENTS OUTSIDE OF CANADA AND THE UNITED STATES WOULD BE COMPATIBLE WITH CANADA'S UNRESTRICTED ACCESS TO THE UNITED STATES CAPITAL MARKET.

THE MINISTER EXPRESSED HIS APPRECIATION TO ALL CANADIAN INVESTORS FOR THEIR CO-OPERATION IN THE GUIDELINE PROGRAM.

THE MINISTER NOTED THAT HE HAS NOT WITHDRAWN HIS REQUEST TO CANADIAN BORROWERS TO EXPLORE FULLY THE CANADIAN CAPITAL MARKET BEFORE FLOATING ISSUES ABROAD.

END OF TEXT.

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